

Chapter 5

PUBLIC FINANCE

	<i>Page No.</i>
5.1 State Government Finance	62
5.1.1 General Government	62
5.1.2 Public Trading Enterprises	63
5.1.3 Total State Government Sector	64
5.2 The Finances of the Local Government Sector	65
5.3 Public Sector Debt	66
5.4 State and Local Government Taxation	67
5.4.1 State Government Taxation	67
5.4.2 Local Government Taxation	67
5.4.3 Tasmania and other States and Territories	68
5.4.4 State Taxation Review	68
5.5 Bibliography	71

Chapter 5

PUBLIC FINANCE

The public sector is defined as that part of economic activity which is owned and or controlled by government. It consists of three tiers, Commonwealth, State, and local. In the case of Commonwealth and State agencies they are responsible to their respective parliaments.

An area of economic activity which is excluded from Government finance statistics is the financial public sector. This includes those institutions which are financial in nature, such as banks or insurance companies, which are owned or controlled by Government.

State Government agencies are classified as belonging to either the General Government sector or the Public Trading Enterprises (PTE) sector. General Government agencies are mainly engaged in the production of goods and services outside the normal market mechanism. The costs of production are mainly financed from public revenues. These goods and services are often free of charge, or provided for at a nominal cost well below their cost of production.

On the other hand, Public Trading Enterprises are mainly engaged in the production of goods and services for sale in the market place. The intention is to maximise returns to their owners, to recover, as a minimum, a substantial part of costs.

Government transactions are classified according to the Economic Transactions Framework (ETF) which deals with the nature of the financial transactions. The ETF is made up of four major groups: current outlays, capital outlays, revenue and grants received, and financing transactions.



*State Treasury building.
Photo: Stuart Jackson*

Taxes, fees and fines revenue are further detailed by a separate classification. Current and capital outlays are also classified according to the purpose of the transactions using the Government Purpose Classification.

In this chapter the Commonwealth is only included in so far as it is the source of much of the money, in the form of grants, to the State Government and local government.

5.1 STATE GOVERNMENT FINANCE

Examples of State Government departments and agencies include the Department of Education and the Arts, the Health Department, Police and Emergency Services, the Hydro-Electric Commission, and the Tasmanian Development Authority.

5.1.1 State General Government Sector

Current and Capital Outlays

There has been a steady increase in current outlays over the past six years. In 1988-89 this expenditure was \$1389 million, an increase of 8.6 per cent over \$1279 million for the previous year. In 1989-90 current expenditure was \$1597 million which was an increase of 15.0 per cent over 1988-89. In 1990-91 current expenditure was \$1756 million. This was an increase of 10.0 per cent over the 1989-90 figure.

One of the noteworthy trends of General Government expenditure over the recent years has been the increasing percentage of current outlays going to interest payments, peaking in 1989-90. In 1987-88 this was 17.8 per cent (\$228 million), in 1988-89 it was 19.5 per cent (\$271 million). In 1989-90 it was 20.0 per cent (\$319 million) and in 1990-91 it was 18.1 per cent (\$317 million).

General government capital outlays in 1988-89 were \$333 million, an increase of 24.3 per cent compared with \$268 million in 1987-88. This followed a decline of \$2 million from \$270 million in 1986-87 to \$268 million in 1987-88. In 1989-90 capital outlays had declined by \$77 million to \$256 million. In 1990-91 capital outlays fell to only \$166 million. This was due to decreases in expenditure on fixed assets and net advances paid.

Revenue and Grants Received

The proportion of income from Commonwealth funds has declined in recent years, from 64.1 per cent in 1986-87 (\$851 million), to 60.6 per cent in 1987-88 (\$863 million), and 57.5 per cent in 1988-89 (\$880 million). In 1989-90 it remained steady at 57.6 per cent (\$1012 million) and it declined again in 1990-91 to 55.5 per cent (\$983 million).

5.1 GENERAL GOVERNMENT TRANSACTIONS TASMANIA (\$ million)

Transactions	1988-89	1989-90	1990-91 ^p
Current expenditure -			
Final consumption expenditure	972	1 087	1 231
Interest payments	271	319	317
Subsidies paid	39	75	75
Personal benefit payments	24	21	21
Current grants	83	95	111
Total	1 389	1 597	1 756
Capital expenditure -			
Expenditure on -			
new fixed assets	232	204	136
second-hand fixed assets	-15	-41	-23
land and intangible assets	3	4	2
Capital grants to -			
PTEs	47	72	71
local government	9	8	9
other sectors	1	1	1
Advances to -			
PTEs	14	-15	-21
local government	2	—	1
other sectors	41	23	-10
Total	333	256	166
Revenue & grants received -			
Taxes, fees and fines	419	464	526
Income from PTEs	10	18	16
Income from State public financial enterprises	3	8	6
Interest from -			
PTEs	86	83	78
Other sectors	88	126	115
Other property income & other revenue	43	47	48
Commonwealth Grants	880	1 012	983
Total	1 530	1 757	1 772
Financing transactions -			
Net advances received	12	-18	-77
Net domestic borrowing	128	253	83
Net overseas borrowing	25	50	13
Other	27	-189	131
Total financing transactions (a)	192	95	149
Deficit (b)	192	95	149
Net financing Requirements (c)	180	113	226

(a) Current plus capital outlays minus Revenue and grants.
 (b) Financing transactions minus Increase in provisions.
 (c) Deficit minus Net advances received.

(Source: ABS Catalogue Nos 5501.6, 5501.0).

5.2 STATE GENERAL GOVERNMENT FINAL CONSUMPTION EXPENDITURE TASMANIA (\$ million)

Expenditure item	1988-88	1989-90	1990-91p
General public services	94.7	108.3	126.9
Public order and safety	90.4	97.3	110.6
Education -			
Primary and secondary	224.1	249.2	229.2
Tertiary	100.0	119.6	124.6
Other	36.3	29.4	49.3
Health	259.5	291.5	304.5
Social security and welfare	23.6	25.7	26.1
Housing and community amenities	6.0	5.2	3.7
Recreation and culture	25.0	28.4	30.1
Agriculture, forestry, fishing and hunting	41.5	48.6	43.3
Mining, manufacturing and construction	6.4	6.7	6.3
Transport and communications	25.2	33.1	40.0
Other	39.3	44.2	136.6
Total	972.1	1 087.1	1 231.1

(Source: ABS Catalogue Nos. 5501.6, 5512.0).

In part this decline has been compensated for by an increasing percentage of funds from taxes, fees and fines, from 23.4 per cent in 1986-87 (\$310 million), 25.8 per cent in 1987-88 (\$367 million), and 27.4 per cent in 1988-89

(\$419 million). In 1989-90 taxes, fees and fines was 26.4 per cent of revenue, and in 1990-91 it was 29.7 per cent (\$526 million), historically the highest proportion yet.

Final Consumption Expenditure

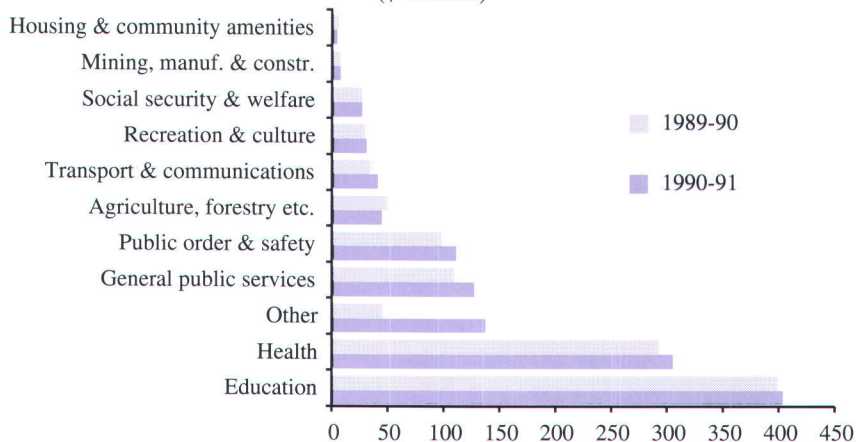
General government final consumption expenditure maintained the same general pattern of previous years. Education continues to be the category of Government Purpose Classification with the largest final consumption expenditure. In 1990-91 Education outlays were 32.7 per cent of final consumption expenditure (\$403.1 million), slightly down from 36.6 per cent in 1989-90 (\$398.2 million). Health's final consumption expenditure in 1990-91 was 24.7 per cent (\$304.5 million), slightly less than in 1989-90 when it was 26.8 per cent (\$291.5 million).

5.1.2 Public Trading Enterprise Sector

In recent years State Governments, including the Tasmanian State Government, have welcomed profits from public trading enterprises (PTEs) as a way of catering for increasing demand for general government services.

At the same time, the Commonwealth Government and State Governments have made it a high priority to put on a more sound commercial footing many undertakings which

GENERAL GOVERNMENT: FINAL CONSUMPTION EXPENDITURE (\$ million)



were previously providing services at a cost way below the market value.

Sometimes this has resulted in general government agencies economising. Sometimes it has resulted in agencies being created which are PTEs in nature.

Because of the market orientation of PTEs, many of the categories that are useful in general government are not considered as relevant for PTEs.

For example, wages and salaries for staff in PTEs are considered to be a part of *operating expenditure*. That is, they are ultimately reflected as a part of the *net operating surplus* within *Revenue and Grants Received*. However, in general government, wages are considered a part of *Current Outlays*.

Within current expenditure, total transfer payments to the State General Government (which consist of interest payments plus income transferred) have been steadily rising. In 1986-87 total payments were \$90 million, in 1987-88 were \$94 million, in 1988-89 were \$96 million, in 1989-90 were \$101 million, and in 1990-91 were \$94 million.

5.1.3 Total State Government Sector

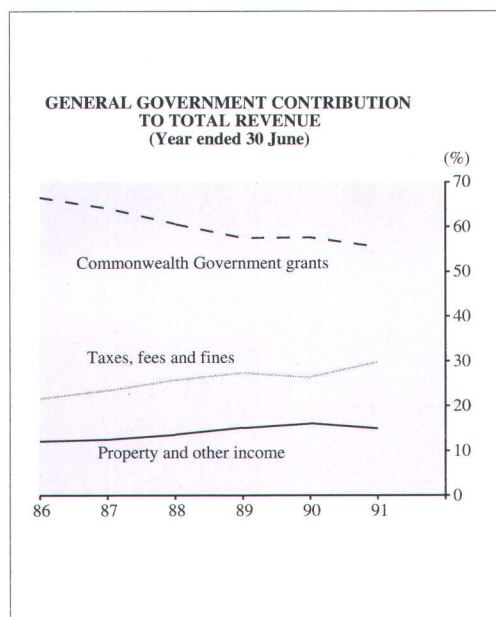
Data for the total State Government sector have to be interpreted carefully. For example, certain transactions between General Government and PTE agencies are consolidated out of the Total State sector transactions.

Expenditure on New Fixed Assets

Total expenditure on new fixed assets in 1990-91 was \$336 million, and in 1989-90 was \$380 million. This compared with \$425 million in 1988-89.

The Fuel and Energy category accounted for the largest percentage of new fixed assets expenditure at 39.8 per cent in 1990-91 (\$133.8 million). In the case of the Tasmanian economy this means expenditure mainly for the Hydro-Electric Commission. This was higher than the 30.7 per cent in 1989-90 (\$116.6 million) and 28.9 per cent in 1988-89 (\$122.7 million).

The major expenditure items in this category in recent years were the King Hydro-Electric Project (\$82.4 million, in 1990-91, \$60.6 million in 1989-90 and \$70.7 million in 1988-89) and the Anthony Hydro-Electric Project (\$41.9



million in 1990-91, \$40.6 million in 1989-90 and \$44.6 million in 1988-89).

5.3 TOTAL STATE GOVERNMENT: NEW FIXED ASSETS EXPENDITURE (\$ million)

	1988-89	1989-90	1990-91
General public services	14.9	23.6	14.9
Public order and safety	18.0	8.5	10.3
Education -			
Primary and secondary	37.0	44.8	20.9
Tertiary	8.8	4.3	4.8
Other	0.2	—	0.2
Health	38.1	23.4	12.9
Social security and welfare	1.7	1.1	1.7
Housing and community amenities	54.1	44.2	35.3
Recreation and culture	19.0	11.9	6.7
Fuel and energy	122.7	116.6	133.8
Agriculture, forestry, fishing and hunting	8.0	6.9	5.5
Mining, manufacturing and construction	0.7	1.1	0.4
Transport and communications	93.0	85.7	82.7
Other economic affairs	8.8	8.0	6.1
Other purposes	—	—	—
Total	424.9	379.9	336.3

(Source: ABS Catalogue Nos. 5501.6, 5512.0).

Public Trading Enterprises - Tasmania

Government Printer
 Hobart Regional Water Board
 Housing
 Hydro-Electric Commission
 Marine Boards -
 Burnie Port Authority
 Marine Board of Circular Head
 Marine Board of Flinders
 Marine Board of Hobart
 Marine Board of King Island
 Port of Devonport Authority
 Port of Launceston Authority
 Metropolitan Transport Trust
 North West Regional Water Authority
 Port Arthur Historic Site Management Authority
 Public Trustee
 Rivers and Water Supply Schemes -
 Coal River Irrigation
 Cressy-Longford Irrigation
 Davy Point Drainage
 Furneaux Drainage
 Lobster Rivulet Improvement
 Meander Valley Irrigation
 Montague River Improvement
 North Esk Regional Water Supply
 Prosser River Water
 Rubicon River Improvement
 Togari Water Supply
 Welcome River Drainage
 West Tamar Water Supply
 Western Creek and Dale Brook
 Improvement Scheme
 Winnaleah Irrigation
 Southern Regional Cemetery Trust
 Stanley Cool Stores Board
 Tasmanian Dairy Industry Authority
 Tasmanian Grain Elevators Board
 Tasmanian Totalizer Agency Board
 Transport Tasmania - TT Line

5.2 THE FINANCES OF THE LOCAL GOVERNMENT SECTOR

Figures in this section are based on the system of Standardised Local Government Finance Statistics (SLGFS). Accordingly, they have a different conceptual basis to figures from other parts of this chapter. One of the important differences is that SLGFS data are often gross figures, whereas other data in this chapter are often net amounts, and distinguishes between trading activities and ordinary service activities.

The trading activities of Local Government in Tasmania are water supply and sewerage disposal. All other activities are classified as ordinary services. These include garbage and waste disposal, roads and footpaths, drainage, health inspection, parks, recreation facilities, gardens, cemeteries, and community centres.

5.4 STATE PUBLIC TRADING ENTERPRISES TRANSACTIONS, TASMANIA(\$ million)

Item	1988-89	1989-90	1990-91
Current outlays -			
Interest payments	263	259	241
Income transferred to general government	10	18	16
Total	273	277	256
Capital outlays -			
Expenditure on new fixed assets	193	175	201
Expenditure on second-hand fixed assets	-31	-24	-8
Increase in stocks	-2	—	—
Other	2	2	-4
Total	162	153	189
Total current and capital expenditure	435	430	445
Revenue & grants received -			
Net operating surpluses	210	219	195
Interest received	40	32	22
Other property income & other revenue	2	5	4
Grants received	47	72	71
Total	299	328	292
Financing transactions -			
Net advances received	15	-15	-21
Net domestic borrowing	32	10	74
Net borrowing from abroad	21	-67	-4
Increase in provisions	88	89	100
Other financing transactions	-20	86	5
Total	135	103	153
Deficit (financing transactions less increase in provisions)	47	13	54

(Source: ABS Catalogue Nos 5501.6, 5501.0).

5.5 LOCAL GOVERNMENT ORDINARY SERVICES SELECTED TRANSACTIONS, TASMANIA (\$ million)

Item	1989-90	1990-91 ^p
Revenue and Loan receipts-		
Rates	92.2	105.0
Interest	16.5	16.5
Government grants	34.0	36.0
Other revenue	48.5	48.3
Loan receipts	7.9	6.2
Total	199.1	212.0
Payments-		
Goods, services and land-		
Current	124.8	137.8
Capital	57.3	52.1
Interest	12.2	13.6
Debt redemption	6.7	7.2
Grants and levies to		
Governments	2.6	4.9
Other	3.5	3.6
Total	207.1	219.2

(Source: ABS Catalogue No. 5501.6).

5.6 LOCAL GOVERNMENT TRADING ACTIVITIES TASMANIA (\$ million)

Item	1987-88	1989-90
Current transactions -		
Income-		
Rates	76.2	84.2
Sales and charges	10.5	10.5
Other	5.6	6.0
Total	92.3	100.7
Current payments -		
Goods and services	56.5	54.7
Interest	11.1	14.0
Other	0.5	0.4
Total	68.1	69.1
Capital transactions-		
Source of funds-		
Loans	10.2	10.2
Other	18.4	17.7
Total	28.6	27.9
Use of funds-		
Land and fixed assets	22.5	21.8
Debt redemption	6.1	6.0
Total	28.6	27.9

(Source: ABS Catalogue No. 5501.6).

5.7 LOCAL GOVERNMENT LONG-TERM DEBT, TASMANIA (\$'000)

Details	1990-91
Source -	
Commonwealth-State	23 484
Public subscription	216
Financial institutions	187 838
Other	10 490
Total	222 027
Purpose -	
Ordinary services	106 392
Water	26 578
Sewerage	89 057
Total	222 027

(Source: ABS Catalogue No. 5501.6).

5.3 PUBLIC SECTOR DEBT

Increasingly throughout the 1980s - and now into the 1990s - the level of indebtedness of Australian State and Local Governments has been of interest to the community.

There are a number of reasons for this. For many it is concern at the size and proportion of the interest charges paid to service this debt. For others, it is the extent of debt carried by agencies for activities that might be more efficiently handled by the private sector.

In Tasmania in the non-financial public sector (excluding Government owned or controlled financial enterprises) the level of debt has been steadily rising over the past few years.

In 1988 debt rose by 5.3 per cent over debt for 1987. It is estimated that in 1989 debt rose by 5.9 per cent, and in 1990 that debt rose by a further 5.1 per cent.

Of all the Commonwealth and the other States (including the Northern Territory) in this time period — 1986-87 through to 1989-90 — only the Commonwealth itself and Queensland have reduced their level of debt.

In Tasmania over the 12 months period July 1987 to June 1988, the level of General Government indebtedness grew 10.6 per cent (from \$747 million to \$826 million). The level of

5.8 NET STATE GOVERNMENT DEBT, (\$million)

State	As at 30 June		
	1988	1989	1990
NSW	21 372	20 729	20 944
Vic	23 250	24 988	26 381
Qld	5 440	4 571	4 234
SA	4 210	4 238	4 649
WA	6 717	7 273	7 902
Tas	2 752	2 913	3 061
NT	868	943	1 108
Total	64 608	65 657	68 374

(Source: ABS Catalogue No. 5513.0).

Public Trading Enterprise indebtedness grew 3.4 per cent (from \$1864 million to \$1927 million).

5.4 STATE AND LOCAL GOVERNMENT TAXATION

5.4.1 State Government Taxation

State Government revenue from taxes, fees and fines rose by 13.9 per cent in 1988-89 (\$418 million) compared with 1987-88 (\$367 million), by a further 11.0 per cent in 1989-90 (\$464 million, and again by 12.9 per cent in 1990-91 (\$524 million).

5.9 TAXES, FEES AND FINES PER HEAD OF MEAN POPULATION (\$)

State/Territory	1988-89	1989-90	1990-91
NSW	1 536	1 631	1 691
Vic	1 444	1 535	1 615
Qld	1 097	1 174	1 222
SA	1 104	1 169	1 299
WA	1 263	1 320	1 376
Tas	1 125	1 239	1 376
NT	860	1 064	1 167
ACT	—	1 130	1 261
All States	1 355	1 436	1 508

(Source: ABS Catalogue No. 5506.0).

5.10 TAXES, FEES AND FINES COLLECTED, TASMANIA (\$ million)

Tax	1989-90	1990-91
Employers' payroll taxes	127	133
Taxes on property -		
Municipal rates	95	104
Other	96	120
Total	191	224
Taxes on provision of goods and services -		
Excises	11	12
Taxes on gambling	35	39
Taxes on insurance	15	17
Total	61	68
Taxes on use of goods and performance of activities -		
Motor vehicle taxes	54	57
Franchise taxes -		
Petroleum products	45	40
Tobacco franchise taxes	33	34
Liquor franchise taxes	14	16
Other	5	12
Total	152	159
Fees and fines	32	46
Total taxes, fees and fines -		
State Government	464	524
Local Government	98	107

(Source: ABS Catalogue No. 5506.0).

The largest contributor to State Government Taxation is employers' payroll taxes, which were \$133 million (25.4 per cent) in 1990-91.

5.4.2 Local Government Taxation

Rates continue to be the principal source of taxes, fees and fines revenue for Local Government.

Excluding rates collected by local government business undertakings (commonly water and sewerage), revenue from taxes, fees and fines rose by 10.8 per cent in 1988-89 (\$82 million) compared with 1987-88 (\$74 million), and by a further 15.9 per cent in 1989-90 (\$95 million), and again by 9.5 per cent in 1990-91 (\$104 million).

NEW OR ALTERED STATE TAXES

Year	Tax initiative
1986-87	Increase in a range of stamp duties including mortgage rates, conveyance rates minimum duty, etc. Increase in land tax minimums from \$10 to \$25. Increase in petroleum products business franchise fees from 6.5% to 14.75%. Introduction of financial institutions duty. Introduction of electricity consumption levy. Introduction of forest management charge.
1987-88	Increase in tobacco franchise fee from 35% to 50%. Introduction of ambulance service contribution. Introduction of 2% stamp duty on rental business.
1988-89	Increase from 6% to 7% in the rate of payroll tax for firms with payrolls over \$7.5 million. Revised forestry and mining royalty arrangements. Increase in the payroll tax exemption level and small business deduction.
1989-90	Ambulance contribution charge abolished. Stamp duty on video rentals abolished. Petroleum products business franchise fee reduced by one cent per litre. Land tax valuation factors were introduced whereby the value shown on the roll is varied in line with changes in property values for the purpose of calculating land tax.
1990-91	Three tier payroll tax scale abolished and replaced by a single 7% rate. Stamp duty on MAIB insurance premiums increased from \$4 to \$6. Exemption from petroleum franchise fee applying to diesel fuel for off road use abolished (limited rebate scheme introduced for primary producers). The petroleum franchise fee arrangements were extended to include LPG, town gas and home heating oil. The land tax scale was increased so an additional \$2 million would be recovered from rural land in 1990-91. Financial Institutions Duty rate increased from 0.04 per cent to 0.06 per cent. Tax applicable to video gaming machines in the Casinos increased from 15 per cent of gross profits to 20 per cent. Motor vehicle registration fees increased from \$22 to \$46 and on trailers \$10 to \$20. The rate of duty applied to the transfer of registration of more highly valued passenger cars increased from 3 to 4 per cent.

(Source: Dept of Treasury and Finance).

5.11 STATE TAXATION - INDEX OF RELATIVE SEVERITY

State	1986-87	1987-88	1988-89	1989-90
NSW	103.32	103.37	102.29	100.36
Vic.	111.54	109.76	108.67	107.75
Qld	70.83	71.29	75.94	77.32
WA	99.02	98.54	98.24	101.88
SA	96.31	99.56	98.81	99.22
Tas.	108.09	112.25	115.52	120.46
NT	88.94	95.43	91.40	98.24

(Source: Dept. of Treasury and Finance).

5.4.3 Tasmania, and other States and Territories

In 1990-91 taxes, fees and fines for both levels of government in Tasmania were \$1376 per head of mean population. Tasmania was ranked ahead of (in order) the Northern Territory, Queensland, the ACT and South Australia. The highest taxed state was New South Wales, followed by Victoria: Western Australia was the same as Tasmania, \$1376.

5.4.4 State Taxation Review

(The following is based on information kindly supplied by the Tasmanian Department of Treasury and Finance.)

5.12 STATE TAXATION LEVELS 1989-90

State	Taxation collections (\$ per capita)		Index of severity (a)
	Actual	Std (b)	
NSW	1 084.59	1 080.67	100.36
Vic.	1 109.19	1 029.40	107.75
Qld	705.47	912.41	77.32
WA	931.72	914.50	101.88
SA	775.69	781.81	99.22
Tas.	824.02	684.06	120.46
NT	827.66	842.51	98.24

(a) The index of severity is derived by dividing the actual revenue by the standardised revenue and multiplying by 100. This is a generally accepted basis of comparison of severity of taxation between the States.

(b) Std is the standardised taxation revenue collections and represents the revenue that would be raised by a State from the available tax base if it were to impose taxes at standard rates.

Uniform Presentation of Government Financial Information

Over the past decade, public attention has increasingly focused on Commonwealth and State Government finances. More detailed and consistent information is being sought by a wide range of users, to enable more accurate assessments of individual Governments' financial performances and to allow legitimate inter-governmental comparisons.

In response to these demands both the quality and presentation of information in Governments' budget papers and public accounts has improved markedly over recent years. These advances include; presentation of budget expenditure on a program rather than purely a line item basis; provision of some information on a Government Finance Statistics (GFS) basis by the Commonwealth and all States/Territories; and presentation of partial or full Consolidated Financial Statements by the Commonwealth and some States/Territories, though on different bases.

While substantial progress has been made individually, an inconsistent approach has remained a serious problem. At present, budget papers and public accounts are not directly comparable, due to differences in coverage of revenue, outlays, financing transactions, liabilities, assets and agencies. Budgetary, accounting and financial reporting formats and standards also vary between Governments.

Sensitive to these deficiencies, the Premiers' Conference in May 1990 commissioned Commonwealth, State and Territory Treasuries and the Australian Bureau of Statistics to report back to the next ordinary meeting of Premiers' Conference on ways to obtain greater uniformity in the presentation of public sector financial information.

Because of a number of years in which Commonwealth funding to Tasmania in real terms has decreased, the proportion of State revenue raised has increased.

Information provided in the Commonwealth Grants Commission's 1991 Update report indicates that Tasmania ranks third lowest of the States using actual revenue collected per capita as a measure of comparison. However, if an index of severity measure is used, Tasmania is ranked highest of all the States.

All Treasuries and the ABS recognise that a more common approach to presenting financial data would facilitate better understanding of individual budget papers. It would also permit more meaningful comparison of each Government's financial results and projections. Furthermore it would make it possible for the ABS to improve the accuracy and timeliness of its statistics for the public sector as a whole.

The recommendations by a working party of State and Commonwealth Treasury Officers and an ABS representative were for Commonwealth and State Treasuries in their Budget Papers to provide a common core of four statistical tables:

- A summary of transactions based on the Economic Transactions Framework (ETF) for General Government, Public Trading Enterprises, and Total State Government. The main categories in the ETF are current Outlays, Capital Outlays, Revenue and Grants Received, and Financing Transactions.
- Current and Capital outlays classified by the Government Purpose Classification (eg. Education, Health, Public Order and Safety) for Total State Government.
- Details of taxation revenue classified by the Taxes, Fees and Fines Classification.
- Levels of liabilities and financial assets.

These tables are to be phased in for the Budgets presented by Governments in 1993. With assistance from the ABS, Tasmania's Treasury has implemented all Tables except the levels of liabilities and financial assets for the Budget presented in 1992.

The steady increase in the severity of taxation in Tasmania relative to other States, reflects the introduction of tax measures over recent years.

Natural growth together with the full year effect of increases introduced in 1990-91 will ensure that State taxation collections will at least remain constant in real terms in 1991-92. Accordingly, it is unlikely that there will be any marked change in Tasmania's ranking relative to other States.

GLOSSARY OF TERMS

This chapter uses a number of terms which may be unfamiliar to readers. For ease of reference, they are grouped together.

Economic Transactions Framework: This Framework is used to classify economic transactions of government agencies. It applies to transactions between agencies, and between an agency and the rest of the economy. Transactions have four main groups: Current Outlays; Capital Outlays; Revenue and Grants Received; and Financing Transactions.

Current Outlays: There are three sub-groups of transactions in this group.

The first is *general government final consumption expenditure*. This relates to the net result to the government for the provision of goods and services. As governments invariably charge less than the cost of these services, a net payment results.

The second sub-group is *requited current transfer payments* and is where something is received in return, for example, rent in return for the use of land.

The third sub-group is *unrequited current transfer payments*. These payments are those where no direct benefit is received in return, for example, payment of personal benefits.

Capital Outlays: The sub-groups in this group deal with transactions on various types of assets which can be *gross fixed capital expenditure, increase in stocks, expenditure on land and intangible assets, capital transfer payments, and net advances* which are repayable.

Revenue and Grants Received: The sub-groups in this group relate to transactions that generate revenue for the government. The sub-groups are *taxes, fees and fines, net income transferred from Public Trading Enterprises, property income, grants received, and other miscellaneous revenue*.

Financing Transactions: Often, one of the items of interest in Budget information is the difference between outlays (both current and capital), and revenue and grants received. This difference is known as financing transactions. Financing transactions are the means by which governments finance their deficits or invest

their surpluses. Financing transactions include *net borrowings (domestic and overseas), advances from other government agencies, changes in private trust funds, changes in cash and bank balances, net investments, and changes in provisions*.

Final Consumption Expenditure: General Government expenditure on the provision of goods and services is known as final consumption expenditure. It comprises *current expenditure on wages, salaries and supplements, and goods and services other than fixed assets and stocks*.

New Fixed Assets Expenditure: These are transactions which relate to payments for new fixed assets, such as dwellings and transport equipment. These transactions are found in both General Government and Public Trading Enterprises.

Government Purpose Classification: This classification categorises transactions in terms of the area of the economy for which the benefit is intended. Because of the nature of the federal system in Australia, State governments have large expenditures on education, health, and police.

Central Borrowing Authority: Tasmania has a central borrowing authority (CBA), as do most of the Australian States and Territories. In Tasmania the CBA is called the Tasmanian Public Finance Corporation, or Tascorp. Tascorp is the financing arm of the Tasmanian State Treasury. It is the agency through which a great deal of the lending and borrowing for other Government agencies is conducted.

Public Sector Debt: In general, the public sector is that part of the economy which is answerable to Parliament. However, excluded from this definition are those institutions belonging to the financial public sector. These include such agencies as Government owned banks, or insurance companies.

Public sector debt therefore includes debt of General Government agencies and Public Trading Enterprises.

This new definition, which includes the entire State Public Sector, gives a more comprehensive picture of the level of State debt.

5.5 BIBLIOGRAPHY

ABS Publication Produced by the Tasmanian Office:

Government Finance Statistics Tasmania 1989-90 (5501.6).

ABS Publications Produced by the Canberra Office:

Classifications Manual for Government Finance Statistics Australia, 1989 (1217.0).

Australian National Accounts: National Income and Expenditure June Quarter 1992 (5206.0).

Australian National Accounts: State Accounts 1990-91 (5220.0).

Australian National Accounts Financial Accounts, September Quarter to June Quarter 1989 (5232.0).

Public Sector Debt Australia June 1988, 1989, and 1990 (5513.0).

Government Financial Estimates, Australia, 1991-92 (5501.0).

Taxation Revenue Australia 1990-91 (5506.0).

Expenditure on Education, Australia, 1989-1990 (5510.0).

Government Finance Statistics 1990-91 (5512.0).

Other Publications:

Budget Paper No. 1, Supporting Budget Information, Government Printer, Hobart.
Commonwealth Financial Relations with Other Levels of Government (Commonwealth Budget Paper No. 4), AGPS, Canberra.